HOUSE FISCAL AGENCY

MEMORANDUM

DATE: March 13, 2012

TO: House Committee on Transportation

FROM: William E. Hamilton

RE: House Bill 5303 – Distribution of Commercial Corridor Fund Revenue

Under current law, constitutionally restricted revenue from motor fuel taxes and vehicle registration taxes is first credited to the Michigan Transportation Fund (MTF) and then distributed by Act 51 formula to various programmatic state transportation funds and accounts, including the Comprehensive Transportation Fund (CTF), the State Trunkline Fund (STF), and to local road agencies – county road commissions and cities and villages. The MTF distribution to county road commissions is allocated among the 83 county road agencies based on an Act 51 formula weighted primarily by vehicle registrations within each county, county road mileage, and population. The MTF distribution to cities and villages is allocated among the 533 cities and villages using an Act 51 formula based primarily on population and street miles.

House Bill 5303 would amend 1951 PA 51 to change the distribution of state transportation revenue. The bill would create a Commercial Corridor Fund (CCF). Over a period of time, the distribution of revenue from the MTF would end; instead state transportation funds would be credited to, and distributed from, the CCF.

House Bill 5303 provides for a distribution from the CCF different from that currently provided in Act 51 for the MTF. The formula allocating CCF revenue between the state and local road agencies would be different than the current Act 51 formula for the MTF. In addition, the distribution among local road agencies would be different; House Bill 5303 would allocate CCF revenue amount local road agencies by a formula weighted primarily by Vehicle Miles Traveled (VMT) within functional classification.

House Bill 5303 and related companion bills appeared to provide for a changeover from the current MTF distribution to the proposed CCF distribution over a period of eight years. In part because of this extended changeover, our original analysis of House Bill 5303 concluded that the fiscal impact of the bill could not be readily estimated. In addition, we did not have ready access to the distribution factors that would govern the distribution of CCF revenue among local road agencies – VMT and mileage by functional classification. Nonetheless, we have developed a broad comparison of the current MTF distribution and the proposed CCF distribution assuming a marginal increase of $1.0 billion in transportation revenue – in other words, the distribution after all programmatic earmarks.

All current "off-the-top" Act 51 earmarks from the MTF, either for categorical programs or for administrative costs, are generally fixed; they would not increase if MTF revenue increased. Instead increased MTF revenue would be directed to the CTF, the STF, and to county road commissions, cities and villages. Our analysis makes the same assumption with regard to the CCF. Our analysis compares a marginal $1.0 billion increase in MTF revenue under the current Act 51 distribution formula with the distribution of $1.0 billion in CCF revenue as proposed under House Bill 5303.

This analysis concludes that:

▪ The CTF would receive $100.0 million or 10% of the CCF $1.0 billion distribution. This distribution would be the same as under current law.

▪ The STF would receive an additional $495.0 million, 55% of the $1.0 billion CCF distribution after deduction of the CTF share. The STF distribution from the CCF would be $143.1 million more than if the additional revenue had been distributed under the current Act 51 formula for the MTF.

▪ Local Road Agencies would receive an additional $405.0 million, 45% of the $1.0 billion CCF distribution after deduction of the CTF share. The local road agency share from the CCF would be $143.1 million less than if the additional revenue had been distributed under the current Act 51 formula for the MTF. As noted above, we cannot readily determine how the CCF formula for local road agencies, weighted primarily by VMT within functional classification, would distribute funds among local road agencies.

It is important to remember that this analysis is based on an increase of $1.0 billion in transportation revenue over and above the current baseline of $1.8 billion in MTF revenue. We have not determined how House Bill 5303 would affect the distribution of the current $1.8 billion in baseline MTF funding.

Michigan Transportation Fund Compared to Commercial Corridor Fund Distribution				
Marginal $1.0 Billion Increase in Transportation Revenue				
			Commercial	
		MTF	Corridor Fund	
Additional Revenue		**$1,000,000,000**	**$1,000,000,000**	**Difference**
To the Comprehensive Transportation Fund				
Percent per Act 51/ House Bill 5303		10.00%	10.00%	
Distribution		**100,000,000**	**100,000,000**	0
MTF Balance		**$900,000,000**	**$900,000,000**	
To County Road Commissions				
Percent per Act 51		39.10%		
Distribution		351,900,000		
To Cities and Villages				
Percent per Act 51		21.80%		
Distribution		196,200,000		
Percent per House Bill 5303			45.00%	
Subtotal Local Road Agencies		**$548,100,000**	**$405,000,000**	**($143,100,000)**
To the State Trunkline Fund				
Percent per Act 51/ House Bill 5303		39.10%	55.00%	
Distribution		**351,900,000**	**495,000,000**	**$143,100,000**